Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Bi-weekly Bulletin

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VEGETABLE OILS: SITUATION AND OUTLOOK

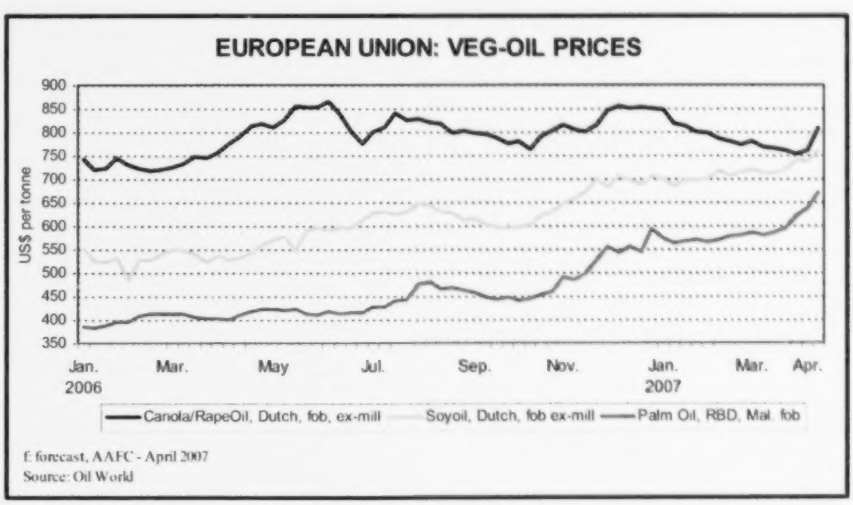
Since 2000-2001, the world vegetable oil (veg-oil) sector has posted the fastest rate of growth for the major agricultural commodities due to sharply higher production and consumption spread across several continents. For 2006-2007, the value of world vegetable oil trade is expected to exceed the value of world trade in wheat and be more than twice the value of the trade in corn. Three key trends are driving the growth of the world veg-oils market: the expansion of the bio-fuels sector, growing North American health concerns and continued Asian economic and population growth. In Canada, production capacity for canola oil is expected to increase by about 75% and a relatively small region across Saskatchewan and Manitoba may emerge as the North American leader in canola oil production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for veg-oils.

Veg-oil and protein meal are co-products derived from the crushing of oilseeds and supply and demand conditions in one market affect the other (see *Bi-weekly Bulletin*, Volume 19, Number 3, *Protein Meal: Situation and Outlook*).

World

For 2006-2007, world edible oil production is projected to increase to a record high 124.1 million tonnes (Mt) due to support from higher veg-oil production of 123.1 Mt and a stable marine oil output of about 1.0 Mt. The percentage distribution of veg-oils by type is: palm oil (31%), soyoil (29%), canola/rapeseed oil (15%) and sunflower seed oil (9%). The remaining 16% of veg-oils consists of cottonseed oil, peanut oil, coconut oil, olive oil and palm kernel oil. The production of the four major oils is expected to increase while the output of the remaining minor veg-oils is expected to be mixed.

Since 2000-2001, world production of veg-oils has increased by 38%, compared to 26% for oilseeds, 29% for protein meals, 2% for wheat and 18% for corn.



World veg-oil supply is projected to rise to a record 132.0 Mt in 2006-2007, a 3% increase from 128.0 Mt in 2005-2006 and up 35% from 2000-2001. The 35 year trend of nearly unbroken growth in consumption is expected to continue for 2006-2007 with world veg-oil use estimated to rise by 5% from 2005-2006 on support from higher consumption for food in China and India and for fuel in the European Union (EU) and the United States (US). Carry-out stocks are forecast to decline slightly due to a drop in all veg-oil stocks.

Despite the expected small decline in stocks, world prices for veg-oils have increased sharply for 2006-2007. The price of soyoil, Dutch, free on board (FOB), ex-mill, increased by 57% from US$484 per tonne (/t) on January 1, 2006 to a high of US$759/t on April 12, 2007. Similarly the price of canola/rapeoil, Hamburg, ex-mill, increased from a low of US$720/t early in 2005, to a high of US$850/t by December 2006 before declining. The largest relative rise in prices occurred for RBD (refined, bleached, deodorized) palm oil FOB Malaysia, which rose by 61% from a low of US$385/t on January 1, 2006 to a high of US$670/t on April 12, 2007.

Canada

World trade of veg-oils is expected to rise to 47.6 Mt in 2006-2007, compared to 21.2 Mt in 2000-2001, an increase of 55%. Using The United States Department of Agriculture (USDA)'s projected Decatur soyoil price of US$0.295 per pound (/lb) as a proxy, the value of the world trade in veg-oils is expected to exceed CAN$34 billion (G) for 2006-2007. By comparison, world trade in wheat is valued at CAN$23G, assuming a CBoT price of US$4.50 per bushel (/bu) for soft red winter wheat. As well, world trade in corn is worth about CAN$14G, assuming a CBoT price of US$3.50/bu and an exchange rate of US$1.00=CAN$1.15.

Three key trends are driving the growth of the world veg-oil sector

The increase in world use of veg-oils is supported by three key trends: the growth of the biofuels sector driven by energy security and climate change concerns in the EU-27 and the US, the switch to healthier, or perceived to be healthier veg-oils, in the developed world's diet resulting from the rising rates of cardio-vascular disease and obesity and by the economic and population growth across many developing countries, especially in China and India.

WORLD: VEGETABLE OIL SUPPLY AND DISPOSITION

crop year	**2005**	**2006**	**2007**
October-September	**-2006**	**-2007[1/]**	**-2008f**
	.....million tonnes.....		
	OILSEEDS		
Supply			
Soybeans	266.49	287.30	287.00
Canola/Rapeseed	53.02	52.43	55.00
Other	125.17	123.40	125.75
Total Supply	**444.68**	**466.13**	**467.75**
Crush			
Soybeans	183.83	194.87	200.00
Canola/Rapeseed	44.14	46.36	48.00
Other	88.97	90.64	92.00
Total Crush	**316.94**	**331.87**	**340.00**
	VEGETABLE OILS		
Carry-in Stocks	9.47	9.18	8.65
Production			
Palm Oil	35.35	37.67	40.00
Soyoil	34.29	35.92	37.00
Canola/RapeOil	17.18	18.22	18.50
Other	30.47	31.28	31.50
Total Production	**117.97**	**123.09**	**127.00**
Total Supply	127.44	132.27	135.65
Use	118.26	123.62	127.65
Carry-Out Stocks			
Palm Oil	3.35	3.17	2.90
Soyoil	2.88	2.76	2.60
Canola/RapeOil	0.51	0.42	0.25
Other	2.44	2.30	2.25
Total Carry-Out Stocks	**9.18**	**8.65**	**8.00**
Trade			
Palm Oil	26.24	27.02	29.00
Soyoil	9.72	10.13	10.20
Canola/RapeOil	1.73	1.94	2.10
Other	8.66	8.51	8.70
Total Trade	**46.35**	**47.60**	**50.00**

Note: Other includes sunflower seed, cotton seed, peanut, coconut, olive and palm kernel oil

1/: forecast, USDA

f: forecast, AAFC, April 2007

Source: USDA

WORLD: VEGETABLE OIL TRADE

crop year	**2005**	**2006**	**2007**
October-September	**-2006**	**-2007[1/]**	**-2008f**
	.....million tonnes.....		
	SOYOIL		
Major Exporters			
Argentina	5.60	6.02	6.10
Brazil	2.40	2.20	2.25
US	0.52	0.68	0.70
EU	0.26	0.25	0.20
Major Importers			
India	1.68	1.85	2.00
China	1.52	1.70	1.75
EU-25	0.71	0.95	1.10
Iran	0.60	0.70	0.70
	CANOLA RAPESEED/OIL		
Major Exporters			
Canada	1.15	1.18	1.20
China	0.13	0.08	0.10
Other	0.45	0.68	0.70
Major Importers			
US	0.66	0.81	0.90
EU	0.32	0.58	0.75
	PALM OIL		
Major Exporters			
Malaysia	12.78	13.10	14.00
Indonesia	11.14	11.60	12.00
Major Importers			
China	4.98	5.60	6.00
EU-25	4.10	4.60	4.75
India	2.82	3.80	3.90
Pakistan	1.75	1.75	1.75

1/: forecast, USDA

f : forecast, AAFC, April 2007

Source: USDA, Oil World, AAFC

For 2004, world consumption of mineral oils was about 3.4 billion tonnes (Gt). Of this, about 1.0 Gt was diesel, slightly under 0.9 Gt was gasoline, 0.4 Gt was consumed as fuel oil and 1.1 Gt as other. The proportion of diesel use, by continent, is North America at 22%, Asia at 28%, Western Europe at 26%, and the rest of the world at 24%.

The US is dependent on oil imports

In stark contrast to Canada, both the US and the EU-27 are heavy and growing importers of crude oil. In the US, net imports of crude oil and its products increased to about 13 million barrels per day (Mbbl/day) in 2006, up from the low of about 4 Mbbl/day in 1985. Meanwhile total crude oil and natural gas production has declined to about 7 Mbbl/day in 2006 compared to a high of over 11 Mbbl/day in 1975. Total US imports of crude oil and products as a share of usage reached 60% in 2006 compared to about 30% in 1985.

The US's increasing dependence on imports of crude oil is occurring simultaneous with increased volatility in the world crude oil markets. Western Texas Intermediate oil prices climbed to over US$70/bbl in 2006, compared to under US$20/bbl between 1995 and 2000 due to a number of factors. Some of these factors were: the growing confrontation between Iran and the United Nation's Security Council over Iran's decision to resume uranium enrichment, creating concerns that Iran would discontinue oil exports to the West. Other issues were the increasing militancy in the Niger Delta, the rise in US gasoline prices supported by the May 5, 2006 switch from methyl tertiary-butyl ether (MTBE) to ethanol in reformulated gasoline across most of the US and the outbreak of hostilities in the Middle East.

These factors occurred against a backdrop of increased demand resulting from the emergence of China and the rest of Asia as a growth market for petroleum products. Chinese vehicle sales increased by 25% in 2006 to 7.2 M units, of which many were commercial and sport utility vehicles. Also, there was a global under-investment in new oil and gas fields in the 1990s.

This growth in demand is combined with a tightening of crude oil production capacity. An example is the drop in the Organization of Petroleum Exporting Countries (OPEC) "spare cushion capacity" to about 2.2 Mbbl/day, which is equivalent to 2.5% of world production. As well, production in some of Saudi Arabia's older fields is declining. Combined, these two factors are contributing to a perception of growing resource scarcity not seen since the 1970s in the aftermath of the Arab oil embargo.

WORLD: PALMOIL SUPPLY AND DISPOSITION

crop year *October-September*	**2005 -2006**	**2006 -2007[1/]**	**2007 -2008f**
	.....million tonnes.....		
Carry-in Stocks	3.4	3.3	3.2
Production			
Indonesia	15.4	15.9	17.5
Malaysia	15.5	16.5	17.0
Other	5.1	5.3	5.5
Total Production	**36.0**	**37.7**	**40.0**
Total Supply	**39.4**	**41.0**	**43.2**
Consumption			
China	5.0	5.6	6.0
Indonesia	4.4	4.5	4.9
EU-25	4.0	4.1	4.5
India	3.1	3.6	4.0
Malaysia	3.3	4.0	4.0
Other	16.3	16.0	16.3
Total Consumption	**36.1**	**37.8**	**39.7**
Carry-Out Stocks	3.3	3.2	3.5
Trade	26.2	27.0	29.5

1/: forecast, USDA
f: forecast, AAFC, April 2007
Source: USDA

CANADA: VEGETABLE OIL SUPPLY AND DISPOSITION

crop year *October-September*	**2005 -2006**	**2006 -2007[1/]**	**2007 -2008f**
	.....thousand tonnes.....		
	CANOLA OIL		
Carry-In Stocks	38	47	50
Imports	47	75	75
Production	1,463	1,532	1,628
Total Supply	**1,548**	**1,654**	**1,753**
Domestic Use	351	425	500
Exports	1,150	1,179	1,203
Total Use	**1,501**	**1,604**	**1,703**
Carry-Out Stocks	47	50	50
	SOYOIL		
Carry-In Stocks	10	3	10
Imports	105	125	125
Production	281	266	279
Total Supply	**396**	**394**	**414**
Domestic Use	360	349	369
Exports	35	35	35
Total Use	**393**	**384**	**404**
Carry-Out Stocks	3	10	10

1/: forecast, AAFC, April 2007
f: forecast, AAFC, April 2007
Source, Statistics Canada, COPA

Some crude oil analysts are forecasting crude oil prices to range between US$50/bbl to US$75/bbl for the foreseeable future. Below US$50/bbl, oil companies are not expected to earn above a 15% rate of return for investments in infrastructure, such as developing the Alberta oil sands. Crude oil prices above US$70/bbl triggered efficiencies in jet fuel use by airliners and a marked shift away from higher price residual fuels to cheaper natural gas in electricity generation and industrial boilers. A shift away from naphtha and residual fuel oil to cheaper natural gas and sometimes coal also seems to have been a pattern across countries in the Organization for Economic Co-operation and Development (OECD).

The importance of biofuels to the world veg-oil sector remains highly dependent upon the political support it receives from the US and EU governments. Support for biofuels in the US appears strong as witnessed by the 2007 President's State of the Union address calling for a 20% reduction in gasoline usage and tighter vehicle fuel efficiency standards. This is in addition to the tax credit for biodiesel of US$1.00 per gallon (/gal) produced from virgin oils or fats and US$0.50/gal from recovered oils and fats in place through 2008 or perhaps longer.

In 2006, US production of biodiesel is estimated at 250 million gallons (Mgal) versus 75 Mgal in 2005. For the 2006-2007 crop year, US biodiesel production is expected to account for 2.6 billion pounds (Glb) of soybean oil or 13% of total domestic soybean oil use. The 2.6 Glb equals the oil extracted from 229 million bushels of soybeans or 7% of the estimated US soybean production in 2006.

Environmental and security concerns support EU biodiesel

Like the US, the EU is highly dependent upon crude oil imports, especially from Russia. After strong gains of 10% growth in output early in the 2000s, an uncertain legal framework and a trend towards greater state control of Russian oil and gas may slow supply growth in crude oil exports to the EU to 2 to 3% over the next several years.

The growth of the EU biodiesel sector was also politically aided by environmental concerns over reducing carbon dioxide emissions, improving air quality and general support for rural development. The EU leads world production of biodiesel with a policy target of a 5.75% blend. France, Germany and Austria are the European leaders in implementing biodiesel use. The mandates for biodiesel are not being enforced widely or having low incentives in other EU countries.

The EU leaders have agreed to introduce a legally binding target of 10% biofuels in all fuel use by 2020, and to set a similar binding 20% of energy to come from renewable sources by the same date. With the average tax credits and US$60/bbl crude oil prices, the breakeven purchase price for veg-oils for the biodiesel sector in the EU is US$800/t. Without the credits it would be about US$350/t.

For 2006, EU biodiesel production capacity has expanded to 6.1 Mt with about one half located in Germany. This is up sharply from 2005 when total biodiesel production was 3.2 Mt with slightly over one-half, or 1.7 Mt, of biodiesel produced in Germany. If all of the expanded biodiesel capacity is used, it would consume about 6.4 Mt of canola/rape oil, roughly equivalent to the total consumption for 2005-2006. If this were to occur, the EU human consumption of major veg-oils would have to shift to palm oil, soyoil and sunoil or imports of canola/rape oil would have to increase sharply. However, a recent 30% slump in biodiesel sales is due to the introduction of new biofuel taxes at the retail pump which have eliminated the price advantage of biodiesel over mineral-based diesel.

Ban on trans-fats driven by health concerns

The increasing consumption of veg-oils has been influenced by health concerns linked to rising rates of obesity and cardio-vascular disease. While the concern is currently mostly contained to the US, rising levels of affluence and inactivity world wide are expected to make this a growing issue. Over 7.2 million people die from heart attacks annually. This number is growing rapidly due to the rising consumption of proteins and fats combined with an increasingly sedentary lifestyle. While cardiovascular disease is due to a combination of factors including genetics and lifestyle, attention has focused on eliminating trans-fats from human diets.

In support of this, a number of canola/rapeseed breeders have focused on developing high-omega canola varieties that produce canola oils with zero trans-fats in the processed products. The development of these varieties promises to expand the market for canola oil in the US in the near term and globally over the longer-term. For 2006-2007, industry estimates of Canadian output of high-omega, low-linolenoic, canola oils is expected to rise to about 0.6 to 0.8 Mt, creating an excellent opportunity to increase exports to the health-conscious US.

For 2006-2007, US consumption of canola/rapeseed oil is expected to increase to 1.1 Mt, versus the 0.9 Mt consumed in 2005-2006 and the 0.7 Mt consumed in 2004-2005. US imports of canola oil are forecast to rise to 0.8 Mt for 2006-2007, up from 0.7 Mt in 2005-2006 and 0.5 Mt in 2004-2005.

Economic growth in China and India is expected to support increased veg-oil consumption

The consumption of veg-oils continues to rise across Asia as a result of growing populations and rising incomes. Using China and India as a proxy for the Asian region, the population growth rate for each country is approximately 8.6 and 16.2 million people per year, respectively. Gross Domestic Product (GDP) in China is growing by 10.5% annually for a per-capita GDP of US$7,600 on a purchasing power parity basis. Indian GDP is growing by 8.5% and per-capita GDP on a purchasing power parity basis is estimated at US$3,700.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

April 30, 2007

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 30, 2007	FOB	205.00	N/A	205.00	215.00		279.50	178.50	155.00		1100.00	495.00					405.00
BC (4) (7)	April 23, 2007		205.00	N/A	205.00	209.00		281.75	173.00	158.00		1100.00	495.00					405.00
Calgary	April 30, 2007	FOB	182.00	N/A	184.00	192.00		287.00			90.00	1100.00	560.00					350.00
AB (4)	April 23, 2007		182.00	N/A	184.00	194.00		292.25			90.00	1100.00	535.00					350.00
Saskatoon	April 30, 2007	FOB	157.50	185.00	147.50	188.00		285.50	N/A		110.00	N/A	560.00			189.00		360.00
SK (4)	April 23, 2007		157.50	197.00	149.50	190.00		290.75	N/A		110.00	N/A	535.00			189.00		360.00
Winnipeg	April 30, 2007	FOB	165.00	140.00	142.50	171.00		267.00	N/A		265.00	1162.50	515.00					380.00
MB (4) (9)	April 23, 2007		167.00	140.00	143.00	174.00		272.25	N/A		265.00	1162.50	515.00					380.00
Thunder Bay	April 30, 2007	In-Store	180.50	N/A	177.00													
ON (8)	April 23, 2007		185.00	N/A	179.00													
Lake Ports	April 30, 2007	On Board				159.93												
USA (3)	April 23, 2007	Vessel				159.34												
Bay Ports	April 30, 2007	In-Store	213.50	250.00	185.00													
ON	April 23, 2007		213.50	250.00	190.00													
Chatham	April 30, 2007	Track				161.34												
ON	April 23, 2007					157.00												
Toronto	April 30, 2007	N/A					FOB				167.00		535.00	N/A	N/A		285.00	340.00
ON (5)	April 23, 2007										181.33		515.00	N/A	N/A		285.00	325.00
Hamilton	April 30, 2007	N/A						248.02	N/A									
ON	April 23, 2007							252.98	N/A									
Eastern	April 30, 2007	FOB				162.50												
ON	April 23, 2007					165.50												
London	April 30, 2007	FOB												445.00	105.00			
ON	April 23, 2007													464.00	105.00			
Port Colborne	April 30, 2007	FOB								113.50				445.00	115.00			
ON	April 23, 2007									112.50				464.00	115.00			
Cardinal	April 30, 2007	FOB												455.00	121.00			
ON	April 23, 2007													469.00	121.00			
Montreal	April 30, 2007		216.00	250.00	208.00	188.00		267.54	218.18	106.67	180.00	N/A	497.50	N/A	N/A		270.00	360.00
QC (5)	April 23, 2007		216.00	250.00	208.00	194.00	FOB	280.11	234.00	115.67	180.00	N/A	481.00	N/A	N/A		270.00	360.00
Trois-Rivières	April 30, 2007	In-Store	218.50		220.60	187.49												
QC	April 23, 2007		197.50		214.00	185.23												
St. Jean QC (2)	April 30, 2007	FOB	202.00	211.67	190.67	179.33		287.25										
St. Hyacinthe QC	April 23, 2007		201.67	210.67	190.67	180.17		290.90										
Quebec	April 30, 2007	In-Store	208.13	N/A	209.87	185.19		268.43	248.03									
QC	April 23, 2007		208.88	N/A	211.66	187.53		272.69	249.65									
Truro	April 30, 2007	Track	254.64	N/A	249.15	218.56		310.36	244.90		234.28		741.00					350.00
NS	April 23, 2007		260.24	N/A	243.25	214.17	FOB	320.05	256.92		241.78		719.00					330.00
Truro	April 30, 2007	Water	N/A	N/A	N/A	N/A												
NS	April 23, 2007	& Truck	N/A	N/A	N/A	N/A												
Halifax	April 30, 2007	In-Store	227.50	N/A	N/A	204.05		320.15	292.15	297.50		N/A						
NS (6)	April 23, 2007		229.75	N/A	N/A	206.00		322.00	291.55	297.50		N/A						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US$1.00 = CAN$ 1.1153** **Closing date April 27/2007**

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N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

April 30, 2007

PRAIRIE GRAINS

Selected Points	Price Basis		This week April 30, 2007	Last week April 16, 2007	Month ago April 2, 2007	Year Ago May 1, 2006
From: Thunder Bay(WCE) (2)	In-Store	Wheat	182.00	184.00	183.00	132.00
(CBOT)		Oat	265.00	271.00	276.50	190.40
(Lethbridge)		Barley	183.00	185.00	180.00	113.00
To: Bayport, ON (1)	In-store	Wheat	205.61	207.61	206.61	155.61
		Oat	N/A	N/A	N/A	N/A
		Barley	210.39	212.39	207.39	140.39
Montreal, QC (1)	In-store	Wheat	210.03	212.03	211.03	160.03
		Oat	N/A	N/A	N/A	N/A
		Barley	215.31	217.31	212.31	145.31
Moncton, NB	Truck via Halifax	Wheat	232.25	234.25	233.25	182.25
		Oat	N/A	N/A	N/A	N/A
		Barley	239.50	241.50	236.50	169.50
Truro, NS	Truck via Halifax	Wheat	226.22	228.22	227.22	176.22
		Oat	N/A	N/A	N/A	N/A
		Barley	237.00	239.00	234.00	167.00
Halifax, NS (1)	In-store	Wheat	217.28	219.28	218.28	167.28
		Oat	N/A	N/A	N/A	N/A
		Barley	223.30	225.30	220.30	153.30
Stephenville, NL	Track / Truck via Sydney	Wheat	280.63	282.63	281.63	230.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week April 30, 2007	Last Week April 16, 2007	Month Ago April 2, 2007	Year Ago May 1, 2006
Corn						
From: US Lake Port	On Board Vessel		159.93	159.34	167.71	109.82
To: Montreal, QC (1)	In-store		178.97	178.38	186.75	128.86
From: Chicago (IL)	Track		165.20	164.43	170.43	112.91
To: Montreal, QC	Track		194.06	193.29	199.29	141.77
From: Chatham, ON	Track		165.08	164.53	163.89	115.97
To: Montreal, QC	Track		188.95	185.40	187.76	139.84
Soymeal 48% Protein						
From: Hamilton, ON			248.02	252.98	276.46	249.12
To: Montreal, QC	Track		272.35	277.31	300.79	273.45
Moncton, NB	Track		291.10	296.06	319.54	292.20
Truro, NS	Track		294.32	299.28	322.76	295.42
Stephenville, NL	Track / Truck via Sydney		342.95	347.91	371.39	344.05

1. Prices include ONE month of storage and interest charges
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: **Market Analysis Division, Agriculture and Agri-Food Canada**
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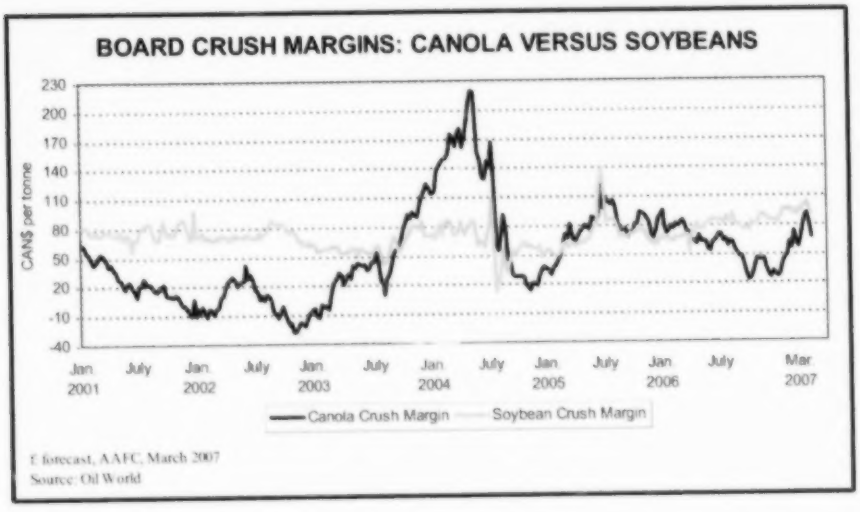
Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Per capita consumption of veg-oils in China is 20.5 kilograms per year (kg/yr) and is expected to rise by 1.0 kg/yr. For India, per capita consumption of veg-oils is estimated at 12.0 kg/yr and is growing at about 0.2 kg/yr. By comparison, per capita consumption of veg-oils in Canada and the US is estimated at 44.9 and 52.1 kg/yr, respectively. Total domestic disappearance of veg-oils in China is estimated at 26.8 Mt for 2006-2007, up from 25.4 Mt for 2005-2006 and 18.8 Mt in 2000-2001. For India, total domestic use of veg-oils is expected to be 13.5 Mt for 2006-2007 versus 13.0 Mt for 2005-2006 and 12.2 Mt for 2000-2001.

Palm Oil

World palm oil production is estimated at 39.0 Mt for 2006-2007, up 3.0 Mt from 2005-2006 and sharply higher than the 24.3 Mt produced in 2000-2001. Indonesia may surpass Malaysia in 2006-2007 to become the world's largest producer of palm oil, however, Malaysia is expected to remain the world's top exporter of palm oil at 13.5 Mt. While China is expected to remain the largest importer of Malaysian palm oil, the US has emerged as a significant market since trans fat labeling requirement began in January, 2006. The growing biodiesel markets in the EU and the US have also generated new market opportunities for palm oil in those two regions.

Soyoil

World soyoil production is expected to rise to 35.9 Mt for 2006-2007 versus the 34.3 Mt produced in 2005-2006 and 34% above the 26.8 Mt produced in 2000-2001. The US remains the world's largest producer of soyoil at 9.1 Mt for 2006-2007, with China and Argentina almost tied for second place at 6.7 Mt and 6.6 Mt, respectively. The production of soyoil has increased sharply in those two countries. In China, the increase in output was accomplished by crushing Brazilian and American soybeans for domestic consumption. Argentina continues its policy of crushing soybeans and exporting the products to generate foreign earnings. Argentine soyoil exports are expected to rise to a record 6.0 Mt for 2006-2007 and account for about 60% of the 10.0 Mt world trade in soyoil. However, the Argentine processing industry remains vulnerable to an appreciation of the peso against other major currencies, similar to what occurred to the Brazilian soybean industry.

For 2006-2007, Canadian production of soyoil is forecast at 0.3 Mt, a decline of 6% from 2005-2006, due to a slight drop in the crush rate resulting from tighter crush margins. Total soyoil supply is forecast at 0.4 Mt, with the difference mostly due to imports. Canadian exports of soyoil are minimal at 35,000 t, while the remainder is expected to be consumed domestically. The price of soyoil, simple average Decatur is forecast at US$0.295/lb, equivalent to CAN$748/t, for 2006-2007.

Canola Oil

World production of canola/rape oil is expected to rise to 18.2 Mt for 2006-2007. By region, the EU is the world's largest producer of canola/rape oil at 6.8 Mt, China is in second place at 4.6 Mt, India produces 2.2 Mt while Canada is the world's 4th largest producer of canola oil at 1.5 Mt. Canada is the world's largest exporter of canola/rape oil, accounting for an expected 60% of world trade. The US is the world's largest importer of canola oil, estimated at 0.8 Mt for 2006-2007. In the US, canola oil is primarily used in salad and cooking oils where it is valued for its mild taste, which allows the full flavour of the food to come through, and its ability to tolerate high temperatures which reduces cooking times in restaurants. The EU is the world's second largest importer of canola/rapeoil, at an expected 0.5 Mt for 2006-2007, for use in the rapidly growing biodiesel sector.

Northeast Saskatchewan is expected to become the epicenter of Canadian canola oil production

For 2006-2007, Canadian production of canola oil is forecast at 1.5 Mt, a rise of 5% from 2005-2006, due to a slight rise in the crush rate, combined with higher oil content of the canola seed. Total supply of canola oil is forecast at 1.7 Mt, as carry-in stocks and imports are expected to be minimal. Canada is expected to export 1.2 Mt of canola oil for 2006-2007, while consuming another 0.4 Mt domestically. The price of canola oil, crude, in-store, Vancouver is averaging CAN$745/t to-date for 2006-2007, up from CAN$631/t in 2005-2006. Board crush margins are averaging CAN$48.99/t to-date for 2006-2007, versus CAN$74.78/t for 2005-2006 but similar to the long-term average of CAN$43.99/t.

Within days of each other in September 2006, Louis Dreyfus and James Richardson International (JRI) independently announced that they both would build canola crushing plants in Yorkton, Saskatchewan, which, when combined, are capable of

producing about 0.7 Mt of canola oil annually. The two announcements were among many that would expand annual Canadian canola oil producing capacity from 1.7 Mt to about 3.0 Mt. The two plants located in Yorkton, a small city of 15,000, effectively makes the relatively small region spanning from Saskatoon, Saskatchewan to Harrowby, near Russell, Manitoba, a distance of about 500 kilometers, the North American center of canola oil production. Including the northern plant of Nipawin, Saskatchewan, annual canola oil production capacity in this region will be 1.4 Mt, slightly under a half of the expected Canadian capacity.

Outlook

Projecting the impact of the biodiesel sector on the veg-oil market over the medium term remains difficult although currently the political support for biodiesel in the US and the EU appears to be strong. In the US, biodiesel production is forecast to rise to 700 Mgal by 2011-2012 and then stabilize. The expansion of the renewable fuels sector in the US is expected to support the expansion of soyoil production in China and Argentina as the increased supply of protein meals pressure North American crush margins. In the EU, support for increasing the blend of renewable fuel content to 10% in biodiesel by 2012 can be expected to support an increase in biodiesel production capacity to about 10.0 Mt. However, some industry analysts are predicting a sharp drop in EU biodiesel consumption for 2007-2008. The removal of the preferential tax treatment for biodiesel in Germany is leading to a sharp decline in biodiesel consumption. In turn, this has sharply reduced the demand for canola/rapeoil in the EU leading to lower prices and reduced throughput in the newly constructed biodiesel plants. In Canada, the government will regulate a 2% requirement for renewable content in diesel fuel and heating oil by 2012. This implies the use of 600 million liters (ML), of which about 360 ML is expected to be veg-oils.

Despite government support for biodiesel, its ability to supply world fuel requirements will remain limited. In 2005-2006, world veg-oil carry-in stocks were 9.5 Mt, roughly equal to 2 days of diesel and heating oil consumption. World veg-oil trade of about 46.0 Mt is less than 11 days of diesel and heating oil use, while global veg-oil production of 118.0 Mt is equal to 29 days of diesel and heating oil consumption.

The steady growth in population and disposable income in Asia is projected to support world veg-oil consumption and prices over the medium-term. Veg-oil consumption is projected to rise by 13.0 Mt by 2015 in China and India alone, assuming the current pace in the growth of population and per-capita consumption in those two countries continues. World veg-oil production is projected to rise by 25% to 154.0 Mt by 2015.

Similarly, concerns over the impacts of veg-oils on human health are expected to grow over the medium to long-term. Current concerns in the US emigrate to other countries and regions as world prosperity and sedentary lifestyles increase. Although this is unlikely to affect the total volume of veg-oil consumed it is likely to result in a switch among veg-oils to veg-oils with lower saturated and trans fats, such as modified canola oils, away from high saturated palm oils. Current plant breeding programs are developing various oilseed varieties containing oils with similar fatty acid profiles. Over the medium-term, this is expected to lead to a migration towards veg-oils possessing a similar healthy, high Omega-3 and low saturated fat profile, targeted towards the health conscious consumer.

Canadian canola oil production capacity is projected to grow to about 3.0 Mt by 2010 as the announced crushing plants begin operations while Canadian soyoil production is expected to remain stable at about 0.3 to 0.4 Mt. Domestic consumption of canola oils for food is expected to remain stable at about 0.3 to 0.4 Mt annually and while the annual use for fuel is projected at about 0.3 Mt. If Canadian canola processors operate at 80% of capacity, Canadian exports of canola oil are projected to rise to about 1.8 Mt annually, generating CAN$1.26G in export revenues, assuming a canola oil price of CAN$700/t.

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